

AGRICULTURAL EQUIPMENT MANUFACTURING & SALES

EXECUTIVE SUMMARY

Kansas is home to agricultural equipment manufacturing and sales companies in a broad range of sizes and specializations. Many of these companies have an international presence along with a strong presence across the U.S. Farming and ranching are a dominant segment of the state both economically and geographically, which creates an abundance of potential customers for agricultural equipment companies. The strong customer base, along with supportive state policies which encourage agricultural development, make Kansas a prime location for growth in the equipment manufacturing and sales sector.

Challenges remain, however, and present possible barriers to continued growth. Establishing a reliable workforce is difficult in many agricultural sectors, and made particularly problematic in this field that relies on specific technical knowledge. Many new equipment companies are small operations, and it is challenging for small businesses to get a foothold in the industry and market their products. There is no state association to provide support within this sector nor to advocate for the industry.

There is great potential for growth within the agricultural equipment manufacturing and sales sector, but it will require input and discussion among key partners to develop a long-term growth strategy. Focused efforts to establish international relationships could open new markets. Existing state business resources could be directed specifically to agricultural business development. Enhanced educational and workforce development programs would expand the talent pool and support existing companies as well as attract new companies. A strategic growth plan built from collaborative efforts from public and private stakeholders is critical to the future of this sector of the agriculture industry.



STATUS

Kansas is home to agricultural companies of all sizes specializing in equipment for livestock and farming. Many of these companies have an international presence and impressive market penetration within the United States. The agricultural equipment manufacturing industry contributes \$3.4 billion to the Kansas economy and is the 20th largest industry in the state.

Nearly 90 percent of Kansas' land mass is devoted to farming and ranching, providing ample customers for agricultural manufacturers' product lines. Pairing the prevalence of the agricultural industry with Kansas' pro-business climate and Midwest values makes Kansas a prime location for equipment manufacturers or equipment sales companies which are looking to create or expand their businesses.

According to estimates prepared by the Kansas Department of Agriculture and based on the Implan economic data model, the farm machinery industry in Kansas has a total direct output of approximately \$3.2 billion and creates 5,760 jobs. The industry supports a total of 14,457.1 jobs and provides a total economic contribution of nearly \$4.6 billion. Taking into account all agricultural equipment (farm machinery, lawn and garden equipment manufacturing, food product machinery manufacturing, etc.), these sectors have a direct output of \$3.8 billion with an employment of 7818.9. These sectors have a total economic impact of \$5.5 billion and support 18,504.8 jobs in the Kansas economy.

OPPORTUNITIES

In order to develop a strategic growth plan for the agricultural equipment manufacturing and sales sector, it is important to understand the areas where Kansas has a comparative advantage and the best opportunities for growth or expansion.

Factor	Implications for Growth and Development Opportunities
Existing Customer Base	46.1 million acres are devoted to farming and ranching in Kansas, nearly 90 percent of the state's total land mass. Kansas has an abundance of potential customers for agricultural equipment companies.
International Trade	The Kansas Department of Commerce Golden Key Matching Service may provide export assistance to Kansas companies via U.S. commercial service programs.

OPPORTUNITIES

Factor	Implications for Growth and Development Opportunities
Policy Environment	<p>Kansas tax law allows sales tax exemption for farm machinery and equipment and various ag-based inputs. These state tax code provisions make Kansas a more attractive state for growth or expansion.</p> <p>The High Performance Incentive Program (HPIP) provides sales tax exemption on the construction, reconstruction and remodeling of facilities for projects greater than \$50,000. Sales tax exemptions are also present for farm machinery and equipment and various ag-based inputs. These state tax code provisions make Kansas a more attractive state for growth or expansion.</p> <p>Also at the state level, Kansas works closely with the agricultural industry to ensure its protection from overreaching federal regulation.</p> <p>At the federal level, Kansas is fortunate to have elected members of Congress who strongly support the agricultural industry. The Kansas congressional delegation will play an important role in influencing positive changes related to federal regulations or legislation, international trade, federal taxes, transportation rules, natural resources and more.</p>
Workforce Development	<p>Kansas is home to a strong community college and technical college network that can provide training for manufacturers. There is potential to develop an apprenticeship program that could be piloted with agricultural equipment manufacturers already in Kansas. Additionally, an opportunity to consider is bridging Farmer Veteran Coalition resources (Fort Riley, Fort Leavenworth and McConnell AFB) with the U.S. Army's exit counseling centers to place Army veterans in open workforce positions across the state.</p>

SUCCESS STORIES

Key successes in the industry:

- Several highly successful agricultural equipment companies already manufacture in Kansas.
- A variety of national agriculture implement companies exist across the state via local dealerships.
- The current tax structure provides incentives for business development and expansion in the state.

CHALLENGES

While Kansas is poised for potential expansion in the agricultural equipment manufacturing and sales sector, the following factors represent challenges serving as barriers to achieving the objective of the strategic growth plan.

Challenge	Details of Challenge
Critical Infrastructure	A lack of adequate housing in rural areas compounds the issue of a shortage of agricultural workers.

CHALLENGES

Challenge	Details of Challenge
Domestic Sales	Volatility of agriculture markets can be a direct inhibitor to growth in agriculture manufacturing. Concern over brand purity exists with some Kansas independent equipment manufacturers.
Industry Association	There is no real connection within the industry. Kansas does not have a sector association, rather AEM (Association of Equipment Manufacturers) is a national organization that hosts an industry sector for agriculture.
International Trade	Access to international markets for equipment products is a positive potential revenue stream. Resistance to free trade agreements at the federal level can hinder this access.
Policy	Federal laws and regulations impacting the agricultural community as a whole include Waters of the U.S., the Endangered Species Act and more. These laws threaten the profitability of farmers and ranchers which decreases their ability to purchase inputs such as planters, plows and other farming equipment. State laws outlining trailer title requirements, intellectual property (precision agriculture), transport limits and even minimum wage changes can be inhibitors to business success.
Small Businesses	<p>It is difficult for small companies to get their products in stores to make them accessible to consumers.</p> <p>Marketing assistance is also difficult. It is difficult to find sufficient scale to make an economic impact on marketing efforts outside of Facebook and social media.</p> <p>There is a lack of programs in the state to provide “soft incentives” such as business plan writing and coaching to interface with venture capital markets.</p>
Workforce Development	Graduates with technical knowledge in engineering, agriculture, computers and technology will be necessary to fill the workforce needs of this industry.

NEXT STEPS IN STRATEGIC DEVELOPMENT

Leaders from throughout the Kansas agriculture equipment manufacturing and sales industry will continue to collaborate in the development and implementation of a long-term strategic growth strategy with input and discussion among key partners. Industry-identified desired growth outcomes, initially developed in 2016, will be implemented by industry and key partners and updated annually at the Kansas Governor’s Summit on Agricultural Growth.

AGRICULTURAL EQUIPMENT MANUFACTURING & SALES INDUSTRY OUTCOMES



Growth Objective:

Establish Kansas as an innovative state in the agricultural equipment manufacturing and sales industry by fostering a business environment that supports new and expanding companies through increased exports, marketing and industry collaboration.

The following outcomes will be the result of industry collaboration and effort to grow the Kansas agricultural equipment manufacturing and sales industry:

Phase 1 (Begin within two years)

- Fully functioning agricultural equipment coalition or association for manufacturers and dealers combine resources with a focus on marketing Kansas-made products.
- State-sponsored economic development incentives which meet the needs for established and new equipment manufacturers of varying sizes. Current incentives include industry classifications and employment/wage requirements which exclude most manufacturers.
- Effective array of “soft” incentives (e.g. mentorships, internships and training on interaction with financiers) which are accessible to agricultural companies to ensure they have the information, workforce and financing they need to economically grow and thrive in Kansas communities.
- Continuation of state policies which encourage business success, specifically pro-growth policies on income, property and sales tax for the agricultural equipment manufacturing and sales industry.
- Increased emphasis on technology-related agricultural education at the high school level.
- Expanded trade program promotion efforts and assistance to make international marketing more accessible for a wider variety of manufacturing businesses, including small businesses.
- Increased exports and international presence bolstered by an international trade tour for potential foreign customers to meet with Kansas equipment manufacturers.
- Increase in agricultural manufacturing and sales companies in the state of Kansas.